

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L USNATO 0477

E.O. 11652: GDS

TAGS: EFIN, MILI, NATO

SUBJ: BURDENSARING: ECONOMIC DIRECTORATE'S REVISED REPORT ON
ALLIED MILITARY PROCUREMENT IN THE US

REF: A. USNATO 135; B. STATE 19727

1. ACTING SYG PANSA HAS REPLIED AS FOLLOWS TO MISSION REQUEST OF
JAN 10 (REF A) THAT ECONOMIC DIRECTORATE PROVIDE USNATO WITH
REPORT OF MOST RECENT REVISED ESTIMATES OF FY74 MILITARY PROCUREMENT
IN THE US BY EUROPEAN ALLIES.

BEGIN TEXT

IN YOUR LETTER OF 10TH JANUARY, 1975, YOU
REQUESTED INFORMATION THAT MIGHT BE USED IN THE
PREPARATION OF PRESIDENT FORD'S FEBRUARY 1975 REPORT
TO CONGRESS, CONCERNING THE FOLLOW-UP TO THE
JACKSON-NUNN AMENDMENT. THE ECONOMIC DIRECTORATE
HAS NOW PREPARED AN UPDATED ESTIMATE OF FISCAL YEAR
1974 MILITARY PROCUREMENT OF DEFENCE GOODS AND SERVICES
PURCHASED IN THE UNITED STATES BY EUROPEAN MEMBER
COUNTRIES.

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SINCE THE LAST REPORT MADE IN OCTOBER 1974,
SOME COUNTRIES HAVE CONFIRMED OR SUBMITTED TO THE NATO
ECONOMIC DIRECTORATE NEW FINAL FIGURES IMPLYING, HOWEVER,
ONLY MINOR CHANGES TO THE TOTAL, WHICH IS STILL SOMEWHAT

MORE THAN US \$1 BILLION.

QUESTIONS RAISED BY THE UNITED STATES
AUTHORITIES DURING THE MISSION OF THE ECONOMIC
DIRECTORATE'S REPRESENTATIVES TO WASHINGTON LAST
OCTOBER HAVE, IN MOST CASES, BEEN RESOLVED WITH THE
EXCEPTION OF A QUESTION RELATING TO PART OF THE AMOUNT RE-
PORTED BY GREECE THAT HAS NOT YET BEEN FULLY CLEARED AND FOR
WHICH INVESTIGATIONS ARE STILL IN PROCESS IN THAT COUNTRY
AND IN THE UNITED STATES. THIS SUBJECT WILL CERTAINLY BE
CLARIFIED BEFORE THE NEXT AND FINAL REPORT TO BE PROVIDED
BY END APRIL 1975.

IN ADDITION, IT HAS TO BE NOTED THAT IN THE
TOTAL AMOUNT OF PURCHASES BY EUROPEAN MEMBER COUNTRIES
MENTIONED ABOVE ONLY US \$45 MILLION HAVE BEEN TAKEN INTO
ACCOUNT AS BEING PAYMENTS MADE BY FRANCE. IF
GOVERNMENT-TO-FIRM AND FIRM-TO-FIRM TRANSACTIONS WERE
TAKEN INTO CONSIDERATION THE TOTAL AMOUNT WOULD HAVE
BEEN SUBSTANTIALLY HIGHER.

FINALLY, I WOULD LIKE TO POINT OUT THAT TAKING
INTO ACCOUNT THE NEW US/FRG AGREEMENT (US \$1.1 BILLION)
THE OUTSTANDING SUM (US \$883 MILLION) SPENT BY THE
UNITED STATES IN FISCAL YEAR 1974 IN FULFILMENT OF YOUR
COUNTRY'S NATO COMMITMENTS AND OBLIGATIONS IN EUROPE IS
MORE THAN COVERED BY THE TOTAL PROCUREMENT OF OTHER
NATO EUROPEAN MEMBER COUNTRIES IN THE UNITED STATES.

PURSUANT TO YOUR REQUEST, THE FIGURE OF MORE
THAN US \$1 BILLION FOR OVERALL EXPENDITURE COULD BE
USED IN PRESIDENT FORD'S REPORT TO CONGRESS ON AN
UNCLASSIFIED BASIS.

THE ATTACHED TABLE SHOWS COUNTRY-BY-COUNTRY
DATA ON WHICH THE TOTAL FIGURE IS BASED. AS YOU KNOW,
THIS DATA REMAINS CLASSIFIED.
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I AM SENDING COPIES OF THIS REPORT TO THE
PERMANENT REPRESENTATIVES. END TEXT.

2. REVISED ALLIED PROCUREMENT TOTAL OF \$1,077 MILLION IS VIRTUALLY
THE SAME AS THAT CONTAINED IN THE SYG'S REPORT TO THE COUNCIL
OF OCTOBER 31, 1974 (C-M(74)62(REVISED)). ECONOMIC DIRECTORATE
TABLE ENCLOSED WITH PANSA'S LETTER PROVIDES REVISED BREAKDOWN ON
COUNTRY-BY-COUNTRY BASIS (COPY POUCH REG. NO. 1360330 KENNETH
KURZE, EUR/RPM). MAJOR CHANGES ARE:

(A) INCREASE IN BELGIAN GOVT-TO-GOVT TRANSACTION TO \$39.7 MILLION
WITH NOTE THAT THIS INCLUDES \$24.6 MILLION RELATING TO PURCHASES
FOR LANCE PROGRAM.

(B) INCREASE IN ITALIAN BILATERAL PROCUREMENT TO \$145.6 MILLION.

(C) INCREASE IN NETHERLANDS BILATERAL PROCUREMENT TO \$61.6 MILLION.

(D) INCREASE IN PURCHASES THROUGH HAWK TO \$101.2 MILLION.

(E) INCREASE IN PURCHASES UNDER SEA SPARROW PROGRAM TO \$34.6 MILLION.

3. RE PARA 2, REF B, ONLY ITALY HAS SUBMITTED DATA THUS FAR ON
FY75 PROCUREMENT. MISSION WILL ASCERTAIN AND REPORT ANY INFORMATION
ECONOMIC DIRECTORATE MAY HAVE. BRUCE

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